

Devon Contractors (Holdings) Limited

Annual Report and Consolidated Financial Statements
for the Year Ended 31 May 2023

Devon Contractors (Holdings) Limited

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Devon Contractors (Holdings) Limited

Company Information

Directors	Mr Shaun Bennington Mr Daryn Hunt Mr Nicholas England Mr Peter Alderson
Registered office	Hill Barton Business Park Clyst St Mary Exeter EX5 1SA
Auditors	Milsted Langdon LLP Chartered Accountants and Statutory Auditors Winchester House Deane Gate Avenue Taunton Somerset TA1 2UH

Devon Contractors (Holdings) Limited

Strategic Report for the Year Ended 31 May 2023

The directors present their strategic report for the year ended 31 May 2023.

Principal activity

The principal activity of the group is to act as a holding company for Devon Contractors Limited. The principle activities of the group are building contracting and civil engineering contracting.

Fair review of the business

The year ended May 2023 saw market share reduce. This is due to the backdrop and implications of Covid 19 coupled with the volatility of inflation on commodity prices has impacted the already challenging trading conditions and lead to ongoing fixed price contracts having profits squeezed. Looking forward with the outlook for inflation falling and fixed price contracts completing the group remains positive for a successful year ahead.

The directors consider that the group performed in line with expectations.

We continue to invest significantly in the development of our people and the evolution of our employer brand. It is our firm belief that our staff are the overarching differentiator in the service that we provide and the primary driver for our continued success.

The directors do not recommend payment of a final dividend.

The group's key financial and other performance indicators during the year were as follows:

Financial KPIs	Unit	2023	2022
Group turnover	£	22,615,861	26,998,990
Group operating profit	£	(8,284)	1,730
Group profit after tax	£	(1,276)	(9,606)
Shareholders funds	£	819,674	828,990
Current assets as a % of current liabilities	%	110	105

Principal risks and uncertainties

The directors have reviewed the industry in which the group operates and they consider there are no significant risks and uncertainties that need disclosing within this report, other than the below.

Following the outbreak of COVID-19 and the increasing economic impact of this worldwide pandemic, the directors have reviewed budgets to assist with the effect on the group. Due to the nature of the business, there has been an impact on its ability to trade with customers. However, this is not believed to significantly impact going concern. The group will continue to pro-actively manage the effects of the pandemic.

We have considered the potential impact of Brexit on the business and whilst there is uncertainty around the possible wider economic impact, the group has significant number of tenders and future secured workload.

Approved and authorised by the Board on 22 January 2024 and signed on its behalf by:

.....
Mr Shaun Bennington
Director

Devon Contractors (Holdings) Limited

Directors' Report for the Year Ended 31 May 2023

The directors present their report and the for the year ended 31 May 2023.

Directors of the group

The directors who held office during the year were as follows:

Mr Shaun Bennington

Mr Daryn Hunt

Mr Nicholas England

Mr Peter Alderson

Financial instruments

Objectives and policies

The group's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

The group is exposed to price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature. The group has no exposures to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before contracts are entered. The credit given to customers is subject to limits which are determined and reassessed by the directors.

Liquidity risk

The group actively maintains a mixture of finance, designed to ensure the company has sufficient available funds for operations.

Interest rate flow risk

The group is not exposed to interest bearing liabilities.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 22 January 2024 and signed on its behalf by:

Mr Shaun Bennington

Director

Devon Contractors (Holdings) Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Devon Contractors (Holdings) Limited

Independent Auditor's Report to the Members of Devon Contractors (Holdings) Limited

Opinion

We have audited the financial statements of Devon Contractors (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2023, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Devon Contractors (Holdings) Limited

Independent Auditor's Report to the Members of Devon Contractors (Holdings) Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Devon Contractors (Holdings) Limited

Independent Auditor's Report to the Members of Devon Contractors (Holdings) Limited

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks or irregularities, including known and actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Nigel Fry (Senior Statutory Auditor)

For and on behalf of Milsted Langdon LLP, Statutory Auditor

Winchester House

Deane Gate Avenue

Taunton

Somerset

TA1 2UH

24 January 2024

Devon Contractors (Holdings) Limited

Consolidated Profit and Loss Account for the Year Ended 31 May 2023

	Note	2023 £	2022 £
Turnover	<u>3</u>	22,615,861	26,998,990
Cost of sales		<u>(21,970,383)</u>	<u>(26,355,528)</u>
Gross profit		645,478	643,462
Administrative expenses		<u>(653,762)</u>	<u>(641,732)</u>
Operating (loss)/profit	<u>5</u>	<u>(8,284)</u>	1,730
Other interest receivable and similar income	<u>6</u>	13,735	311
Interest payable and similar expenses	<u>7</u>	<u>(868)</u>	<u>(4,041)</u>
		<u>12,867</u>	<u>(3,730)</u>
Profit/(loss) before tax		4,583	(2,000)
Tax on profit/(loss)	<u>11</u>	<u>(5,859)</u>	<u>(7,606)</u>
Loss for the financial year		<u><u>(1,276)</u></u>	<u><u>(9,606)</u></u>
Profit/(loss) attributable to:			
Owners of the company		<u><u>(1,276)</u></u>	<u><u>(9,606)</u></u>

The group has no recognised gains or losses for the year other than the results above.

Devon Contractors (Holdings) Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 May 2023

	2023 £	2022 £
Loss for the year	<u>(1,276)</u>	<u>(9,606)</u>
Total comprehensive income for the year	<u><u>(1,276)</u></u>	<u><u>(9,606)</u></u>
Total comprehensive income attributable to:		
Owners of the company	<u><u>(1,276)</u></u>	<u><u>(9,606)</u></u>

Devon Contractors (Holdings) Limited
(Registration number: 13668327)
Consolidated Balance Sheet as at 31 May 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	<u>12</u>	217,200	244,350
Tangible assets	<u>13</u>	118,796	127,250
		<u>335,996</u>	<u>371,600</u>
Current assets			
Debtors	<u>15</u>	2,507,230	3,909,174
Cash at bank and in hand	<u>16</u>	3,132,597	5,154,891
		5,639,827	9,064,065
Creditors: Amounts falling due within one year	<u>17</u>	<u>(5,139,442)</u>	<u>(8,595,827)</u>
Net current assets		<u>500,385</u>	<u>468,238</u>
Total assets less current liabilities		836,381	839,838
Provisions for liabilities	<u>18</u>	<u>(16,707)</u>	<u>(10,848)</u>
Net assets		<u>819,674</u>	<u>828,990</u>
Capital and reserves			
Called up share capital	<u>20</u>	12,000	12,000
Capital redemption reserve	<u>21</u>	15,000	15,000
Other reserves	<u>21</u>	(197,000)	(197,000)
Profit and loss account	<u>21</u>	989,674	998,990
Equity attributable to owners of the company		<u>819,674</u>	<u>828,990</u>
Total equity		<u>819,674</u>	<u>828,990</u>

Approved and authorised by the Board on 22 January 2024 and signed on its behalf by:

Mr Shaun Bennington
Director

Devon Contractors (Holdings) Limited

(Registration number: 13668327)

Balance Sheet as at 31 May 2023

	Note	2023 £	2022 £
Fixed assets			
Investments	<u>14</u>	483,500	483,500
Current assets			
Cash at bank and in hand	<u>16</u>	97	31
Creditors: Amounts falling due within one year	<u>17</u>	(446,330)	(459,935)
Net current liabilities		<u>(446,233)</u>	<u>(459,904)</u>
Total assets less current liabilities		37,267	23,596
Provisions for liabilities	<u>18</u>	2,686	-
Net assets		<u>39,953</u>	<u>23,596</u>
Capital and reserves			
Called up share capital	<u>20</u>	12,000	12,000
Profit and loss account	<u>21</u>	27,953	11,596
Total equity		<u>39,953</u>	<u>23,596</u>

The company made a profit after tax for the financial year of £24,397 (2022 - profit of £19,636).

Approved and authorised by the Board on 22 January 2024 and signed on its behalf by:

Mr Shaun Bennington
Director

Devon Contractors (Holdings) Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 May 2023 Equity attributable to the parent company

	Share capital £	Capital redemption reserve £	Merger reserve £	Retained earnings £
At 1 June 2022	12,000	15,000	(197,000)	998,990
Loss for the year	-	-	-	(1,276)
Dividends	-	-	-	(8,040)
At 31 May 2023	12,000	15,000	(197,000)	989,674
			Total £	Total equity £
At 1 June 2022			828,990	828,990
Loss for the year			(1,276)	(1,276)
Dividends			(8,040)	(8,040)
At 31 May 2023			819,674	819,674
	Share capital £	Capital redemption reserve £	Merger reserve £	Retained earnings £
At 8 October 2021	12,000	15,000	3,000	1,016,636
Loss for the year	-	-	-	(9,606)
Dividends	-	-	-	(8,040)
Merger adjustment, purchased shares	-	-	(200,000)	-
At 31 May 2022	12,000	15,000	(197,000)	998,990
			Total £	Total equity £
At 8 October 2021			1,046,636	1,046,636
Loss for the year			(9,606)	(9,606)
Dividends			(8,040)	(8,040)
Merger adjustment, purchased shares			(200,000)	(200,000)
At 31 May 2022			828,990	828,990

Devon Contractors (Holdings) Limited

Statement of Changes in Equity for the Year Ended 31 May 2023

	Share capital £	Retained earnings £	Total £
At 1 June 2022	12,000	11,596	23,596
Profit for the year	-	24,397	24,397
Dividends	-	(8,040)	(8,040)
At 31 May 2023	12,000	27,953	39,953

	Share capital £	Retained earnings £	Total £
Profit for the year	-	19,636	19,636
Dividends	-	(8,040)	(8,040)
New share capital subscribed	12,000	-	12,000
At 31 May 2022	12,000	11,596	23,596

Devon Contractors (Holdings) Limited

Consolidated Statement of Cash Flows for the Year Ended 31 May 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Loss for the year		(1,276)	(9,606)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	82,142	86,521
Profit on disposal of tangible assets	<u>4</u>	(17,943)	(8,121)
Finance income	<u>6</u>	(13,735)	(311)
Finance costs	<u>7</u>	868	4,041
Income tax expense	<u>11</u>	5,859	7,606
		55,915	80,130
Working capital adjustments			
Decrease in trade debtors	<u>15</u>	1,420,266	73,404
(Decrease)/increase in trade creditors	<u>17</u>	(3,448,105)	2,740,452
Cash generated from operations		(1,971,924)	2,893,986
Income taxes paid	<u>11</u>	(26,602)	(9,809)
Net cash flow from operating activities		(1,998,526)	2,884,177
Cash flows from investing activities			
Interest received		13,735	311
Acquisitions of tangible assets		(73,198)	(97,957)
Proceeds from sale of tangible assets		44,603	8,121
Acquisition of intangible assets	<u>12</u>	-	(271,500)
Net cash flows from investing activities		(14,860)	(361,025)
Cash flows from financing activities			
Interest paid	<u>7</u>	(868)	(4,041)
Repayment of other borrowing		-	(500,000)
Net assets acquired through business combinations		-	(200,000)
Dividends paid		(8,040)	(8,040)
Net cash flows from financing activities		(8,908)	(712,081)
Net (decrease)/increase in cash and cash equivalents		(2,022,294)	1,811,071
Cash and cash equivalents at 1 June		5,154,891	3,343,820
Cash and cash equivalents at 31 May		3,132,597	5,154,891

Devon Contractors (Holdings) Limited

Statement of Cash Flows for the Year Ended 31 May 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Profit for the year		24,397	19,636
Adjustments to cash flows from non-cash items			
Finance income		(35,194)	(19,680)
Income tax expense	<u>11</u>	<u>(2,686)</u>	<u>-</u>
		(13,483)	(44)
Working capital adjustments			
(Decrease)/increase in trade creditors	<u>17</u>	<u>(13,605)</u>	<u>459,935</u>
Net cash flow from operating activities		<u>(27,088)</u>	<u>459,891</u>
Cash flows from investing activities			
Acquisition of subsidiaries	<u>14</u>	-	(483,500)
Dividend income		<u>35,194</u>	<u>19,680</u>
Net cash flows from investing activities		<u>35,194</u>	<u>(463,820)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		-	12,000
Dividends paid		<u>(8,040)</u>	<u>(8,040)</u>
Net cash flows from financing activities		<u>(8,040)</u>	<u>3,960</u>
Net increase in cash and cash equivalents		66	31
Cash and cash equivalents at 1 June		<u>31</u>	<u>-</u>
Cash and cash equivalents at 31 May		<u><u>97</u></u>	<u><u>31</u></u>

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Hill Barton Business Park
Clyst St Mary
Exeter
EX5 1SA
UK

These financial statements were authorised for issue by the Board on 22 January 2024.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are prepared in sterling, which is the functional currency of the company, and rounded to the nearest £.

Departure from requirements of FRS 102

In accordance with paragraph 3.4 of FRS 102, in the financial year ending 31 May 2022 management concluded that in order to give a true and fair view of the financial position of the group, a true and fair view override was required in the adoption of merger accounting.

Merger accounting was adopted to account for a share for share exchange, in which 12,000 shares in Devon Contractors Limited were acquired in exchange for 12,000 shares in Devon Contractors (Holdings) Limited. This exchange did not meet the requirements for merger accounting under FRS102 as the final percentage shareholdings differed to those pre-acquisition, however, the requirements for merger accounting under CA06 were met.

Excluding the above departure, all other requirements of FRS 102 have been met.

Management believe the financial statements provide a true and fair view of the financial performance, financial position, and cash flows of the group.

This departure was applied in the comparative period only.

Summary of disclosure exemptions

Devon Contractors (Holdings) Limited has taken exemption from presenting its unconsolidated profit and loss account under section 408 of Companies Act 2006.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 May 2023.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going concern

The directors have reviewed projections and forecasts for the next twelve months, given the level of cash held by the group, levels of reserves, lack of external financing and support of the shareholders, the directors consider the group to be a going concern and able to continue trading for the foreseeable future and will be able to meet its financial obligations as they become due.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

Key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which are considered to have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Contract valuation

The directors review the valuation of long term contracts on a regular basis. When the outcome of a construction contract can be estimated reliably, revenue and costs associated with the contract are recognised by reference to the stage of completion and any expected losses are recognised immediately. The carrying amount is £2,343,992 (2022 -£2,707,778).

Investment valuation

The fair value of investments in subsidiaries are determined by the directors using their knowledge of the sector.

Periodically, the directors assess the value of investments carried at cost less impairment. This includes a review of the financial performance of the investment, along with consideration of future projections and expectations.

Where appropriate, a provision is made for the diminution in value of an investment. The carrying amount is £483,500 (2022 -£483,500).

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the group's activities.

Contract revenue recognition

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	Straight line basis over 2 to 5 years or 40%/50% first year and straight line for the next 3 years
Fixtures, fittings and equipment	Straight line basis up to 5 years
Motor vehicles	Straight line basis over 5 years

Business combinations

Business combinations are accounted for using the purchase method or merger accounting as appropriate. For the purchase method the consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

Asset class	Amortisation method and rate
Goodwill	10% straight line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment. Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions for loss making contracts are recognised immediately in full in the consolidated profit and loss statement. Any anticipated losses in respect of onerous contracts are expensed in the accounting period in which such losses become probable.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

Dividends

Dividend distribution to the group's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when

- a) the contractual rights to the cash flows from the asset expire or are settled, or
- b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or
- c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of estimated cash flows discounted at the liability's original effective interest rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

3 Turnover

The analysis of the group's turnover for the year from continuing operations is as follows:

	2023	2022
	£	£
Sale of goods	22,615,861	26,998,990

The amount of contract revenue recognised as Turnover in the year was £22,615,861 (2022 - £26,998,990).

4 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2023	2022
	£	£
Gain on disposal of tangible assets	17,943	8,121

5 Operating (loss)/profit

Arrived at after charging/(crediting):

	2023	2022
	£	£
Depreciation expense	54,992	59,371
Amortisation expense	27,150	27,150
Profit on disposal of property, plant and equipment	(17,943)	(8,121)

6 Other interest receivable and similar income

	2023	2022
	£	£
Interest income on bank deposits	13,735	311

7 Interest payable and similar expenses

	2023	2022
	£	£
Interest on bank overdrafts and borrowings	8	4,041
Interest expense on other finance liabilities	860	-
	868	4,041

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2023	2022
	£	£
Wages and salaries	1,797,977	2,106,753
Social security costs	9,414	11,412
Pension costs, defined contribution scheme	237,024	239,935
	<u>2,044,415</u>	<u>2,358,100</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2023	2022
	No.	No.
Construction workers	28	31
Administration	7	7
Directors	4	4
	<u>39</u>	<u>42</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2023	2022
	£	£
Remuneration	294,413	288,529
Contributions paid to money purchase schemes	126,000	160,000
	<u>420,413</u>	<u>448,529</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2023	2022
	No.	No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	2023	2022
	£	£
Remuneration	67,538	76,725
Company contributions to money purchase pension schemes	<u>37,166</u>	<u>40,000</u>

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

10 Auditors' remuneration

	2023 £	2022 £
Audit of these financial statements	29,010	14,850
Other fees to auditors		
Taxation compliance services	6,324	10,612

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

11 Taxation

Tax charged/(credited) in the income statement:

	2023 £	2022 £
Current taxation		
UK corporation tax	-	5,038
Deferred taxation		
Arising from origination and reversal of timing differences	5,859	2,568
Tax expense in the income statement	5,859	7,606

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2022 - higher than the standard rate of corporation tax in the UK) of 20% (2022 - 19%).

The differences are reconciled below:

	2023 £	2022 £
Profit/(loss) before tax	4,583	(2,000)
Corporation tax at standard rate	917	(380)
Effect of revenues exempt from taxation	(3,659)	(96)
Effect of expense not deductible in determining taxable profit (tax loss)	6,901	5,471
UK deferred tax expense relating to changes in tax rates or laws	1,708	2,603
Deferred tax expense from unrecognised tax loss or credit	-	8
Deferred tax credit from unrecognised temporary difference from a prior period	(8)	-
Total tax charge	5,859	7,606

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £	Liability £
2023		
Deferred tax	-	16,707
	-	16,707

	Asset £	Liability £
2022		
Deferred tax	-	10,848
	-	10,848

Company

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

12 Intangible assets

Group

	Goodwill £	Total £
Cost or valuation		
At 1 June 2022	271,500	271,500
At 31 May 2023	271,500	271,500
Amortisation		
At 1 June 2022	27,150	27,150
Amortisation charge	27,150	27,150
At 31 May 2023	54,300	54,300
Carrying amount		
At 31 May 2023	217,200	217,200
At 31 May 2022	244,350	244,350

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

13 Tangible assets

Group

	Furniture, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 June 2022	172,729	144,980	322,287	639,996
Additions	2,433	70,765	-	73,198
Disposals	-	-	(121,064)	(121,064)
At 31 May 2023	175,162	215,745	201,223	592,130
Depreciation				
At 1 June 2022	154,539	144,980	213,227	512,746
Charge for the year	10,453	14,255	30,284	54,992
Eliminated on disposal	-	-	(94,404)	(94,404)
At 31 May 2023	164,992	159,235	149,107	473,334
Carrying amount				
At 31 May 2023	10,170	56,510	52,116	118,796
At 31 May 2022	18,190	-	109,060	127,250

Restriction on title and pledged as security

Property, plant and equipment with a carrying amount of £118,796 (2022 - £127,250) has the following restriction on title:

Amounts included in tangible assets are secured by a debenture incorporating a fixed and floating charge.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

14 Investments

Group

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2023	2022
Subsidiary undertakings				
Devon Contractors Limited*	Clyst Court, Hill Barton Business Park, Clyst St Mary Exeter, Devon, EX5 1SA England and Wales	Ordinary shares	100%	100%

* indicates direct investment of the company

Subsidiary undertakings

The principal activity of Devon Contractors Limited is building contracting and civil engineering

Company

	2023	2022
	£	£
Investments in subsidiaries	483,500	483,500
Subsidiaries		£
Cost or valuation		
At 1 June 2022		483,500
Provision		
At 31 May 2023		-
Carrying amount		
At 31 May 2023		483,500
At 31 May 2022		483,500

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

15 Debtors

Current	Note	Group		Company	
		2023 £	2022 £	2023 £	2022 £
Trade debtors		2,412,306	3,477,390	-	-
Other debtors		76,602	431,784	-	-
Income tax asset	<u>11</u>	18,322	-	-	-
		<u>2,507,230</u>	<u>3,909,174</u>	<u>-</u>	<u>-</u>

Group

The carrying amount of trade debtors pledged as security for liabilities amounted to £2,908,761 (2022 - £4,336,335).

Amounts included in debtors are secured by a debenture incorporating a floating charge.

16 Cash and cash equivalents

	Group		Company	
	2023 £	2022 £	2023 £	2022 £
Cash at bank	<u>3,132,597</u>	<u>5,154,891</u>	<u>97</u>	<u>31</u>

Amounts included in cash and cash equivalents of £3,132,500 (2022 - £5,154,860) have been secured by way of a debenture incorporating a floating charge.

17 Creditors

	Note	Group		Company	
		2023 £	2022 £	2023 £	2022 £
Due within one year					
Trade creditors		3,465,935	6,953,460	-	-
Amounts due to related parties	27	250,080	40	435,735	459,935
Social security and other taxes		719,386	1,408,091	-	-
Accruals		704,041	225,956	10,595	-
Corporation tax liability	11	-	8,280	-	-
		5,139,442	8,595,827	446,330	459,935

There is an unlimited debenture dated 11 July 2013 incorporating a fixed and floating charge over all of the subsidiary's assets and a first legal charge over cash dated 6 March 2017.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

18 Provisions for liabilities

Group

	Deferred tax £	Total £
At 1 June 2022	10,848	10,848
Increase (decrease) in existing provisions	5,859	5,859
At 31 May 2023	16,707	16,707

19 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £237,024 (2022 - £239,935). Contributions totalling £6,644 (2022 - £6,781) were payable to the scheme at the end of the year and are included in creditors.

20 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	No.	£	No.	£
Ordinary share capital of £1 each	12,000	12,000	12,000	12,000

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

- Each share is entitled to one vote at all general meetings of the company and on a written resolution.
- Each share is entitled to dividends, to be paid as the company may determine, and each share has equal rights to dividends.
- Each share is entitled to equal rights, a return of capital on liquidation or otherwise.
- The shares are non-redeemable.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

21 Reserves

Group

Merger reserve

Arising on consolidation under merger accounting, this reserve represents the difference between the par value of shares issued and the shares received as well as the difference between the original 20% investment and the book value of the assets acquired.

Capital redemption reserve

Arising on the buyback of shares, this reserve represents a non-distributable balance arising from share capital purchased from the shareholders. This therefore ensures the maintenance of the capital base of the company.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

22 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2023 £	2022 £
Not later than one year	28,097	34,985
Later than one year and not later than five years	62,789	86,514
Later than five years	-	1,583
	<u>90,886</u>	<u>123,082</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £38,472 (2022 - £42,560).

23 Dividends

Interim dividends paid

	2023 £	2022 £
Interim dividend of £0.67 per each Ordinary share	8,040	8,040
	<u>8,040</u>	<u>8,040</u>

24 Commitments

Group

Capital commitments

A capital commitment was entered into at the year end to acquire a new telecommunications system. The total amount contracted for but not provided in the financial statements was £3,926 (2022 - £Nil).

25 Contingent liabilities

Group

At the year end the group's underwriters have given bonds to certain customers of the subsidiary to guarantee completion of the projects undertaken. The amount of these bonds varied throughout the period and at the period end, there are £379,433 outstanding (2022 - £401,259). This facility is held in the sole name of Devon Contractors Limited and is guaranteed by Devon Contractors (Holdings) Limited.

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

26 Analysis of changes in net debt

Group

	At 1 June 2022 £	Financing cash flows £	At 31 May 2023 £
Cash and cash equivalents			
Cash	5,154,891	(2,022,194)	3,132,697
	<u>5,154,891</u>	<u>(2,022,194)</u>	<u>3,132,697</u>

Company

	At 1 June 2022 £	Financing cash flows £	At 31 May 2023 £
Cash and cash equivalents			
Cash	31	66	97
	<u>31</u>	<u>66</u>	<u>97</u>

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

27 Related party transactions

Group

Summary of transactions with key management

The loans to key management were interest free and repayable on demand.

Transactions with directors

	At 1 June 2022 £	Advances to director £	Repayments by director £	At 31 May 2023 £
2023				
Mr Shaun Bennington	(10)	9,999	(6,825)	3,164
Mr Daryn Hunt	(10)	-	(10)	(20)
Mr Nicholas England	(10)	-	(10)	(20)
Mr Peter Alderson	9,990	-	(10)	9,980

	At 8 October 2021 £	Advances to director £	Repayments by director £	At 31 May 2022 £
2022				
Mr Shaun Bennington	143,199	5,252	(148,461)	(10)
Mr Daryn Hunt	143,199	5,252	(148,461)	(10)
Mr Nicholas England	143,199	5,252	(148,461)	(10)
Mr Peter Alderson	153,199	5,252	(148,461)	9,990

Income and receivables from related parties

2023

Sale of goods

Other related parties
£

43,789

2022

Sale of goods

Other related parties
£

617,505

Devon Contractors (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 May 2023

Expenditure with and payables to related parties

	Other related parties £
2022	
Purchase of goods	973
Rendering of services	14,250
	<u>15,223</u>

There has been no expenditure with or payables to other related parties in the year ended 31 May 2023.

Loans from related parties

	Other related parties £	Total £
2023		
Advanced	250,000	250,000
At end of period	<u>250,000</u>	<u>250,000</u>

Terms of loans from related parties

Loans from other related parties are interest free and repayable on demand.

Company

Loans from related parties

	Subsidiary £	Total £
2023		
At start of period	459,895	459,895
Repaid	(24,240)	(24,240)
At end of period	<u>435,655</u>	<u>435,655</u>
	Subsidiary £	Total £
2022		
Advanced	459,895	459,895
At end of period	<u>459,895</u>	<u>459,895</u>

Terms of loans from related parties

The loan from the subsidiary is interest free and repayable on demand

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.